DEBT

DESCRIPTION

Bonded Debt Authorization and Issuance Policies

The Constitution of Virginia and the Virginia Public Finance Act provide the county with authority to issue general obligation debt secured solely by the pledge of its full faith and credit, as well as debt secured first by the fee revenues generated by the system for which the bonds are issued and, if necessary, by general obligation tax revenues. The county is also authorized to issue debt secured solely by the revenues of the system for which the bonds are issued. There is no limitation imposed by state law or local ordinance on the amount of general obligation debt a county may issue; however, with certain exceptions, debt which either directly or indirectly is secured by the general obligation of a county must be approved at public referendum prior to issuance. Debt secured solely by the revenues generated by the system for which the bonds were issued may be issued in any amount without a public referendum.

The county, as of June 30, 2003, had total net general long-term outstanding obligations of $416.3 million. Those obligations consist of $336.2 million in general obligation bonds ($265.4 million for schools, $70.8 for general county improvements), $4.9 million in State Literary Fund Loans, $32.7 million in capital leases, $0.5 million in retirement plan obligations, and $42 million in judgments, claims, and compensated absences payable.

The county's commitment to established debt and financial management policies has enabled the county to achieve the highest bond ratings attainable from all three rating agencies (FITCH Ratings, Standard & Poor's, and Moody's Investors Services) for the county's general obligation bonds. Chesterfield County is one of fewer than 30 counties nationwide to hold the distinct honor of having a AAA bond rating from all three agencies. The county continues to benefit from this credit rating both economically and financially.

Debt Management

The Board of Supervisors generally follows the guidelines listed below in making financial decisions on debt issuance. Adherence to these guidelines allows the county to plan for the necessary financing of capital projects while maintaining creditworthiness.

The County Administrator's Capital Improvement Program (CIP) for FY2005-FY2011 proposes debt issuance that results in a debt ratio even lower than the target listed below. The CIP has been developed to maintain a debt ratio closer to 8.5 percent.

Debt Ratio Policies

Chesterfield County policy establishes target and ceiling numbers for certain ratios. As part of a comprehensive evaluation and update of county financial policies, the debt per capita ratio target and ceiling values have increased and will continue to increase by two percent at the beginning of each biennium.

Additional information on Chesterfield's financial policies can be found in the Financial Policies section of this document. Actual results are compared to policy values in the table on the following page.

DEBT

	Actual June 30, 2003	Target	Ceiling
Debt as a Percentage of Assessed Value	1.72%	3.0%	3.5%
Debt Per Capita	$1,343	$1,600	$1,800
Debt Service as a Percentage of General Governmental Expenditures	8.0%	10.0%	11.0%
Undesignated General Fund Balance as a Percentage of General Fund Expenditures	8.3%	7.5%	5% (Floor)

The process of issuing general obligation bonded debt in the county begins with the departments' presentations of capital expenditure needs to the County Administrator, who then presents these requests for funding in the form of the Capital Improvement Program to the Board of Supervisors. For debt issues to be placed on the ballot, the Board must approve the proposals by a majority vote. County residents must then approve a bond referendum for the projects so that general obligation debt can be issued. A comprehensive discussion of the capital improvement process is included in the CIP and in the Biennial Financial Plan within the "Transfer to Capital Projects" section.

FINANCIAL ACTIVITY

	FY2003 Actual	FY2004 Adopted	Biennium FY2005 1st Year	Biennium FY2006 2nd Year	Change FY2004 to FY2005	FY2007 Projected	FY2008 Projected	FY2009 Projected
Debt Service	$22,751,722	$13,624,300	$14,762,400	$16,447,600	8.4%	$19,681,500	$20,586,900	$22,352,400
Telecom. Lease	206,222	206,200	156,600	0	-24.1%	0	0	0
Total	$22,957,944	$13,830,500	$14,919,000	$16,447,600	7.9%	$19,681,500	$20,586,900	$22,352,400

BIENNIAL BUDGET ANALYSIS

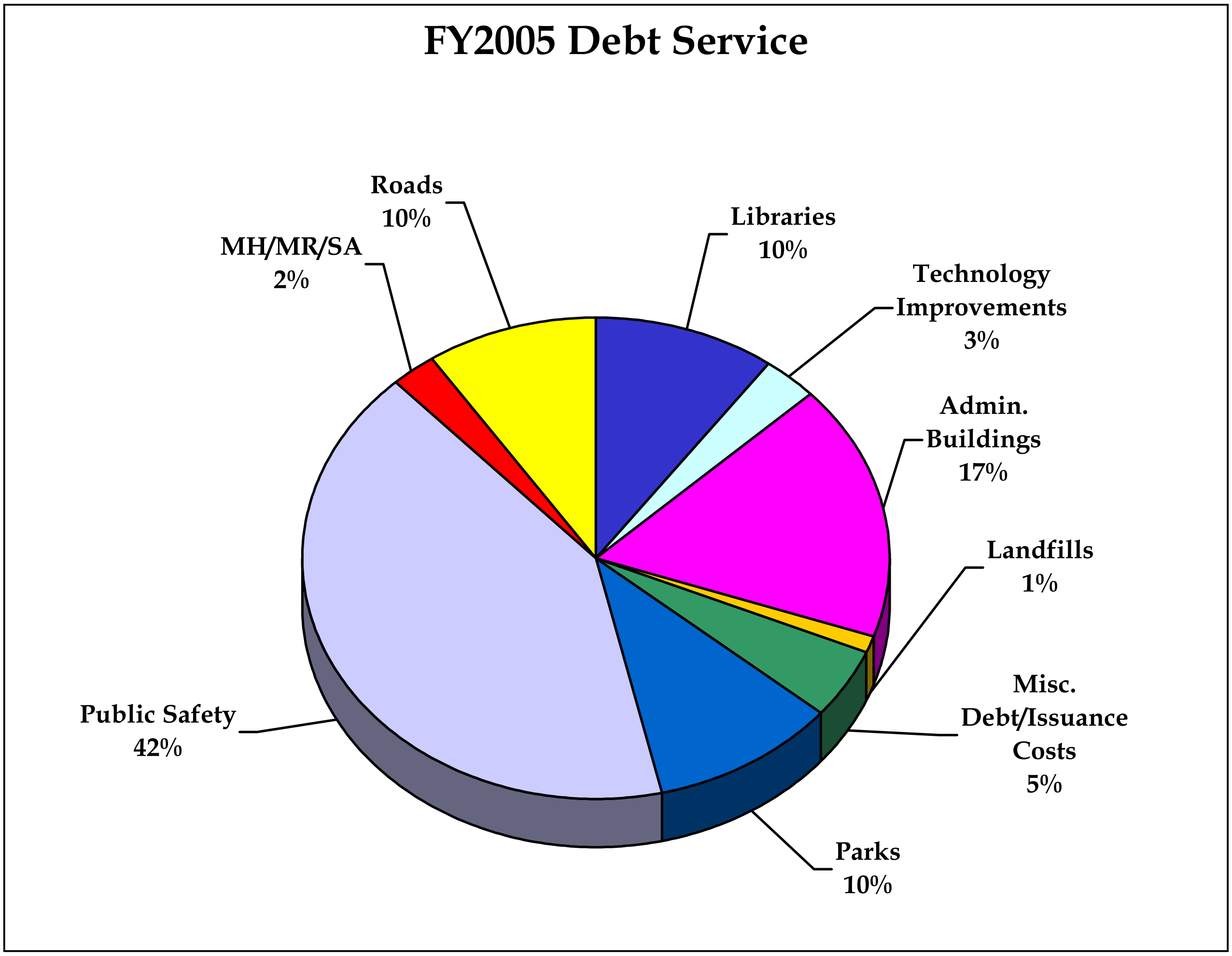
Debt service represents payments of principal and interest on all county indebtedness. Debt service for schools is budgeted in the School Fund. The county's debt service is projected to increase 7.9 percent from $13.8 million in FY2004 to $14.9 million in FY2005 as reflected in the table above. FY2005 debt service is comprised of the categories shown in the graph on the following page.

The Board of Supervisors and the School Board are tentatively planning for a bond referendum in the fall of 2004. The Proposed FY2005-FY2011 Capital Improvement Program identifies potential projects that could be placed on the referendum. The debt management policies have been used to determine the amount of debt the county can afford to issue per year and stay within the recommended criteria.

In September 2000, the county entered into a lease purchase agreement for a new telephone system for county offices. This debt service payment will continue to be covered through charges to all county departments. The final lease payment is due in FY2005.

During FY2004 the county sold approximately $22 million in certificates of participation for $20 million in projects previously adopted in the Capital Improvements Program and $2 million in projects listed in the FY2005-FY2011 CIP. The debt service payments for this sale are included in the FY05 debt service totals.

DEBT

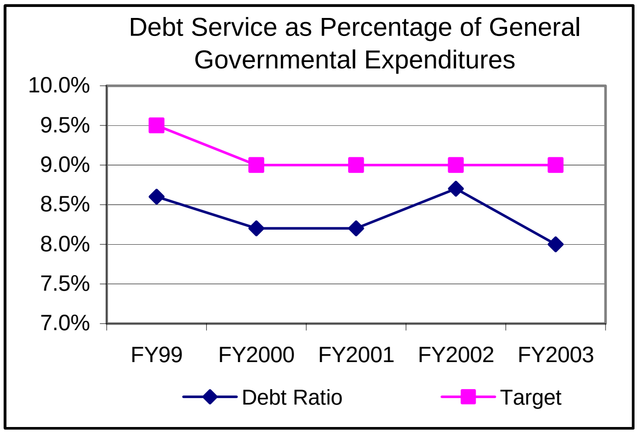


FY2005 Debt Service
Roads 10%
MH/MR/SA 2%
Libraries 10%
Technology Improvements 3%
Admin. Buildings 17%
Landfills 1%
Misc. Debt/Issuance Costs 5%
Parks 10%
Public Safety 42%

DEBT

HOW ARE WE DOING?

Goal: Ensure fiscal integrity in resource allocation. Supports countywide Strategic Goal Number 1
Objective: Maintain Board of Supervisors' approved target of 10 percent or less; strive to maintain County Administrator's revised target of 8.5 percent through for the 2005-2011 planning period
Measure: Debt service to general fund expenditure ratio



Initiatives

- Capital Improvement Program
- contributions to Reserve for Future Capital Improvements
- debt affordability model
- Biennial Financial Plan
- Board of Supervisors' approved debt management policies
- triple AAA bond rating resulting in reduced interest rates on bond sales and reduction in debt service expenditures

Goal: Promote financial integrity. Supports countywide Strategic Goal Number 1
Objective: Maintain highest possible General Obligation Bond rating from all three rating agencies
Measure: Annual General Obligation Bond ratings

RESULTS: Chesterfield County General Obligation Bond Ratings

Rating Agency	FY97	FY98	FY99	FY00	FY01	FY02	FY03
Standard & Poor's	AA+	AAA	AAA	AAA	AAA	AAA	AAA
Moody's Investors Services	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa
Fitch Ratings	AAA	AAA	AAA	AAA	AAA	AAA	AAA

Initiatives

- Biennial Financial Plan
- Well-diversified management planning tools and policies in areas such as financials, land use, economic development, and capital facilities
- debt affordability model
- three year projections in Biennial Financial Plan
- rapid retirement of principal

Other Long-Term Obligations

Lease-Purchase Financing

The CIP also proposes several other large projects to meet the needs of the community. The CIP proposes lease-purchase projects totaling $43.3 million over the seven-year period. These projects include the expansion of the Smith-Wagner Building, expansion and renovation of the Circuit/General District Courthouse, renovation of the five-story administration building, a fire logistics warehouse and equipment repair facility, and a police property/evidence storage facility. It is anticipated that these projects will be funded, either in whole or in part, through the sale of Certificates of Participation.

Diamond Stadium

In 1984, the Board of Supervisors, along with the City of Richmond and the County of Henrico, committed to fund portions of the reconstruction and operations of a baseball stadium located in the City of Richmond. Chesterfield's commitment is a non-binding moral obligation under which the county has agreed to pay one-third of any annual net operating loss and one-third of any deficit in debt service on the $3.8 million revenue bonds.

From FY98 through FY2004, the Capital Improvement Program (CIP) has included $1,450,900 to partially fund the net operating loss incurred by the Diamond, and the FY2005-2011 CIP includes $172,400 in FY2005 for this purpose as well. The Richmond Metropolitan Authority has begun to plan for a major renovation of the Diamond over the next five- to ten-year period, and has requested the participation of Chesterfield, the County of Henrico and the City of Richmond. Chesterfield County has not made a commitment for future funding at this time.

Riverside Regional Jail

Chesterfield is one of seven localities participating in the Riverside Regional Jail Authority. The Authority was formed in June 1990 to develop a regional jail to serve seven local jurisdictions in the Central Virginia area. Construction of the facility started in December 1994, and was completed in the summer of 1997. The 804-bed jail facility cost approximately $94.7 million. Core facilities were built to support a future 564-bed expansion of the jail as demand for the facility warrants. Demands on the current facility make it necessary for the RRJA to begin the planning process for that expansion. The feasibility study has been completed and expansion of the Pre-Release Center is in the design phase. Under the terms of the service agreement with RRJA, the county pays per diem prisoner charges for its use of the jail. These per diem payments are to cover both the county's responsibilities for the construction financing for the facility as well as ongoing operating costs. The per diem expenses for FY2005 and FY2006 are estimated at approximately $6.2 million and $6.7 million respectively. The FY2005-2011 Capital Improvement Program allocates $18 million in debt capacity to address the expansion of the regional jail. Further detail on the Riverside Regional Jail can be found in the Sheriff's Department's narrative.

Richmond Convention Center Authority

The Greater Richmond Convention Center Authority (Convention Authority), a political subdivision of the Commonwealth of Virginia, was created on January 9, 1998, pursuant to the Public Recreational Facilities Authorities Act, Chapter 56 of Title 15.2, Code of Virginia, 1950. The political subdivisions participating in the incorporation of the Convention Authority are the City of Richmond and the Counties of Chesterfield, Hanover and Henrico. The Convention Authority is governed by a five-member commission comprised of the chief administrative officer of each of the four incorporating political subdivisions and the President/CEO of the Retail Merchants Association of Greater Richmond.

The Convention Authority was created to acquire, finance, expand, renovate, construct, lease, operate and maintain the facility and grounds of a visitors and convention center or centers including the facility and grounds currently known as the Richmond Centre. The primary purpose of the Convention Authority is to issue revenue bonds to finance the expansion of the Richmond Centre facility and to construct access, streetscape or other on-site/off-site improvements. The expansion was completed in the spring of 2003. The Convention Authority will continue to be responsible for the operation and maintenance of the convention center.

During fiscal year 2000 the Convention Authority issued $158,415,000 in Hotel Tax Revenue Bonds, which are secured by an eight percent transient occupancy tax imposed and collected by the localities.

The County recorded an expenditure of $2,379,665 for transient occupancy tax to the Convention Authority during the fiscal year ended June 30, 2003.

WHERE ARE WE GOING?

General Obligation Debt

The CIP proposes projects totaling $301.7 million ($70.5 million for county projects, $231.2 for schools) through FY2011 tentatively to be considered for a referendum in the Fall of 2004. Planned county projects consist of new facilities, expansions, renovations, and improvements in the areas of public safety, libraries, and parks and recreation.

FUTURE YEAR PROJECTIONS

Projected FY2007 expenses reflect the most significant single year increase over the planning period, approximating $3.2 million or 19.7 percent. This increase is due in large part to those projects and circumstances outlined in the General Obligation Debt and Lease-Purchase Financing sections.

Key debt ratios were used to plan the issuance of long term financing. Debt service as a percentage of general governmental expenditures, a measure of the county's ability to retire debt without negatively impacting other county services, is projected to remain below policy target values and the more conservative limits established by the County Administrator. Debt per capita, an indicator of debt burden, is also projected to remain below policy values.

SUMMARY OF DEBT OUTSTANDING AND REPAYMENT REQUIREMENTS

At June 30, 2003 the long term debt consisted of:

General Obligation Bonds and State Literary Fund Loans

Chesterfield County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities of the primary government and including those used by the School Board component unit. State literary fund loans are approved for school capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the county. The general obligation bonds and state literary fund loans are payable from the General Fund. At June 30, 2003 the amount outstanding of general obligation bonds and state literary fund loans were as follows:

General Obligation Bonds	Original Issue Amount	Interest Rates	Annual Principal Requirements	Total Outstanding
1990A School Refunding, due 2005	$1,500,000	8.74%	$150,000	$300,000
1991 General Improvement & Refunding, due 2007	82,610,000	6.00-6.25	425,000 - 1,585,000	5,120,000
1992 General Improvement, due 2004	49,675,000	5.25	2,485,000	2,485,000
1994A School Refunding, due 2008	14,750,000	8.00-8.10	305,000 - 1,350,000	2,570,000
1994A School, due 2014	8,125,000	6.10-6.30	410,000 - 420,000	4,580,000
1995A School, due 2016	15,160,000	5.40-5.975	755,000 - 760,000	9,840,000
1995C School, due 2016	26,175,000	5.10-6.10	1,305,000 - 1,310,000	17,005,000
1997 General Improvement, due 2009	12,800,000	4.60-5.00	640,000	3,840,000
1998 General Improvement & Refunding, due 2018	79,485,000	4.30-5.00	3,215,000 - 5,670,000	58,430,000
1999 General Improvement & Refunding, due 2019	75,625,000	4.00-4.50	1,485,000 - 9,060,000	66,300,000
2000 General Improvement, due 2020	38,050,000	5.00-6.00	1,900,000 - 1,905,000	32,335,000
2001 General Improvement, due 2021	60,355,000	4.00-5.00	2,980,000 - 3,020,000	54,315,000
2002 General Improvement, due 2022	23,280,000	3.00-5.00	1,160,000 - 1,165,000	22,115,000
2002B School, due 2023	23,950,000	2.35-5.10	1,195,000 -1,200,000	23,950,000
2003 General Refunding, due 2011	32,450,000	2.25-4.125	1,545,000 - 4,985,000	32,450,000
Total General Obligation Bonds				**$335,635,000**
Add: Premium				1,722,427
Less: Deferred amount on refunding				1,128,307
Net General Obligation Bonds				**$336,229,120**
State Literary Fund Loans	$28,942,173	3.00-4.00%	$55,218 - $1,447,850	**$4,852,068**

SUMMARY OF DEBT OUTSTANDING AND REPAYMENT REQUIREMENTS

Annual debt service requirements to maturity for General Obligation Bonds and State Literary Fund Loans are as follows:

Year Ending	GENERAL OBLIGATION BONDS			STATE LIBERTY FUND LOANS		
June 30	Principal	Interest	Total	Principal	Interest	Total
2004	$31,015,000	$15,411,326	$46,426,326	$1,447,850	$150,563	$1,598,413
2005	29,785,000	13,736,760	43,521,760	1,324,500	106,127	1,430,627
2006	29,275,000	12,473,141	41,748,141	745,500	65,392	810,892
2007	25,565,000	11,274,325	36,839,325	608,000	42,027	650,027
2008	24,015,000	10,189,980	34,204,980	608,000	22,787	630,787
2009-2013	102,415,000	36,331,352	138,746,352	118,218	5,200	123,418
2014-2018	68,650,000	15,723,573	84,373,573	0	0	0
2019-2023	24,915,000	2,574,530	27,489,530	0	0	0
TOTAL	**$335,635,000**	**$117,714,987**	**$453,349,987**	**$4,852,068**	**$392,096**	**$5,244,164**

Revenue Bonds

The county issued bonds to finance construction projects for the Water and Wastewater Enterprise Funds. Revenue Bonds outstanding at June 30, 2003 are as follows:

Primary Government	Original Issue Amount	Interest Rates	Annual Principal Requirements	Amount Outstanding
Business-type activities:				
1992 Water and Sewer Refunding due 2011	$19,705,000	6.00-6.375%	$320,000 - $485,000	$3,170,000
1992A Water and Sewer Refunding, due 2011	39,903,968	6.10-6.50	2,016,452 - 3,804,642	20,683,967
2002 Water and Sewer Refunding, due 2011	8,610,000	2.00-4.00	975,000 - 1,205,000	8,610,000
Total Revenue Bonds				**$32,463,967**
Less: Discounts				85,790
Deferred amount on refunding				313,454
Net Revenue Bonds				**$32,064,723**

The Water and Wastewater Funds are responsible for the Revenue Bonds as follows:

	Water	Wastewater	Total
Total Revenue Bonds	$10,810,501	$21,653,466	$32,463,967
Net Revenue Bonds	$10,677,553	$21,387,170	$32,064,723

Component Unit	Original Issue Amount	Interest Rates	Annual Principal Requirements	Amount Outstanding
Health Center Commission				
1996 Mortgage Revenue Bonds, due 2039	$20,900,000	6.28%	$157,170-$1,322,076	$20,390,996
Less: Discount				78,096
Net Mortgage Revenue Bonds				**$20,312,900**

SUMMARY OF DEBT OUTSTANDING AND REPAYMENT REQUIREMENTS

Debt service requirements to maturity for the Revenue Bonds are as follows:

Year Ending	Primary Government Enterprise Funds			Component Unit Health Center Commission		
June 30	Principal	Interest	Total	Principal	Interest	Total
2004	$4,373,446	$3,474,393	$7,847,839	$157,170	$1,433,252	$1,590,422
2005	4,201,629	3,650,297	7,851,926	167,329	1,265,922	1,433,251
2006	4,037,005	3,808,326	7,845,331	178,145	1,255,106	1,433,251
2007	3,918,576	3,939,006	7,857,582	189,660	1,243,591	1,433,251
2008	3,810,398	4,048,651	7,859,049	1,148,832	6,017,425	7,166,257
2009-2013	12,122,913	15,346,948	27,469,861	1,571,338	5,594,920	7,166,258
2014-2018	0	0	0	2,149,228	5,017,030	7,166,258
2019-2023	0	0	0	2,939,648	4,226,610	7,166,258
2024-2028	0	0	0	4,020,760	3,145,497	7,166,257
2029-2033	0	0	0	5,499,473	1,666,785	7,166,258
2034-2038	0	0	0	2,369,413	138,772	2,508,185
Total	**$32,463,967**	**$34,267,621**	**$66,731,588**	**$20,390,996**	**$31,004,910**	**$51,395,906**

Public Facility Lease Revenue Bonds and Certificates of Participation

The county is a party to three Real Property Lease/Purchase Agreements. One agreement is structured with Public Facility Lease Revenue Bonds and the other with Certifications of Participation In the public facilities lease, the county leases a new Juvenile and Domestic Relations Courts Building from the lessor for a lease term ending November 1, 2019. Public Facility Lease Revenue Bonds evidencing owners' interest were issued to finance the building. Under the second agreement, the county leases the Juvenile Detention Home, the vacated Juvenile and Domestic Relations Courts Building, the Information Systems Technology Building and an Airport Hangar Building. Under the third agreement, the county leases the County Jail. Certificates of Participation evidencing owners' interest in the lease payments made by the county to the lessor were issued to finance construction and renovation of these buildings. The Public Facility Lease Revenue Bonds and Certificates of Participation are to be liquidated by the General Fund and the non-major Airport Fund.

Amounts outstanding as of June 30, 2003 on the Public Facility Lease and the Certificates of Participation are as follows:

Governmental Activities	Original Issue Amount	Interest Rates	Annual Principal Requirements	Amount Outstanding
2001 Certificates of Participation, due 2022	$13,310,000	4.00-5.00%	$539,250-$899,250	$12,410,750
2003A Certificates of Participation, due 2022	3,070,000	2.125-4.20	170,000-175,000	3,070,000
2003B Certificates of Participation, due 2024	3,030,000	2.125-4.40	150,000-155,000	3,030,000
1999 Public Facility Lease, due 2020	16,100,000	4.00-6.00	805,000	13,685,000
Total Governmental Activities				**32,195,750**
Add: Premium				46,636
Net Governmental Activities				**$32,242,386**
Business-type Activities				
2001 Certificates of Participation, due 2022	415,000	4.00-5.00	20,750	394,250
Total Obligations				**$32,590,000**

SUMMARY OF DEBT OUTSTANDING AND REPAYMENT REQUIREMENTS

Annual debt service requirements to maturity for the Public Facility Lease and the Certificates of Participation are as follows:

Year Ending	Governmental Activities			Business-Type Activities		
June 30	Principal	Interest	Total	Principal	Interest	Total
2004	$1,704,250	$1,362,692	$3,066,942	$20,750	$16,527	$37,277
2005	2,024,250	1,240,936	3,265,186	20,750	15,697	36,447
2006	2,024,250	1,158,323	3,182,573	20,750	14,867	35,617
2007	2,024,250	1,083,153	3,107,403	20,750	14,037	34,787
2008	2,019,250	1,002,609	3,021,859	20,750	13,104	33,854
2009-2013	8,691,250	3,911,407	12,602,657	103,750	52,536	156,286
2014-2018	8,321,250	2,143,867	10,465,117	103,750	30,749	134,499
2019-2023	5,232,000	449,123	5,681,123	83,000	7,677	90,677
2024	155,000	3,410	158,410	0	0	0
Total	**$32,195,750**	**$12,355,520**	**$44,551,270**	**$394,250**	**$165,194**	**$559,444**

Capital Leases

The county has acquired equipment with a historical cost and original issue amount of $1,584,906 and accumulated depreciation of $693,597 under capital lease arrangements. The interest rates vary between 5.31% and 9.50% and annual principal payments range from $1,257 to $192,607 per fiscal year. Capital leases are to be liquidated by the General Fund. Future minimum lease payments at June 30, 2003, for these capital leases are as follows:

Year Ending	Primary Government Governmental Activities		
June 30	Principal	Interest	Total
2004	$262,408	$26,019	$288,427
2005	215,802	11,346	227,148
2006	63,589	3,785	67,374
Total	**$541,799**	**$41,150**	**$582,949**

SUMMARY OF DEBT OUTSTANDING AND REPAYMENT REQUIREMENTS

Judgments, Claims, and Compensated Absences Payable

The county has recorded a liability for workers' compensation claims in the government-wide statements for the primary government and the School Board component unit and in the fund financial statements of the proprietary funds. The workers' compensation liability recorded is $6,014,504 for the governmental activities of the primary government, $416,502 for the business-type activities of the primary government and $2,743,039 for the School Board component unit. A liability of $4,460,929 has been recorded for judgment and claims in the Risk Management Fund. These liabilities consist of a) liabilities for claims incurred, reported and outstanding as of June 30, 2003 and b) liabilities for claims incurred but not reported as of June 30, 2003. These liabilities have been estimated based upon a case-by-case review, investigation and historical experience. Payments for workers compensation liabilities are recorded as a charge to the fund that incurred the liability. Judgments and claims recorded in the Risk Management Fund are payable from the Risk Management Fund.

The county has recorded a liability for rebatable arbitrage in the government-wide statements of the primary government of $1,146,747. This liability is payable by the General Fund.

The county has recorded a liability for compensated absences in the Statement of Net Assets of the government-wide statements for the primary government and the School Board component unit and in the fund financial statements of the proprietary funds. The governmental activities of the primary government recorded $11,616,277 and $3,194,210 for accrued vacation and sick leave benefits, respectively and the business-type activities of the primary government recorded $736,360 and $370,287 for accrued vacation and sick leave benefits, respectively. The School Board component unit recorded $7,062,628 and $5,458,907 for accrued vacation/personal leave and sick leave benefits, respectively. Payments for these liabilities are recorded as a charge to the fund that incurred the liability.

In October 1991, the Environmental Protection Agency (EPA) issued a rule establishing municipal solid waste landfills (MSWLF) closure requirements for all MSWLF's that accept solid waste after October 9, 1991 and postclosure requirements for all MSWLF's that accept solid waste after October 9, 1993. The county operated one landfill, which was closed on October 8, 1993. The state and federal laws and regulations require the county to place a final cover on the landfill and to perform certain maintenance and monitoring functions at the site for 10 years after closure. The county completed the final cover during fiscal year 1995 and has 4 years remaining to perform its postclosure care maintenance as of June 30, 2003. The $286,000 recorded as a landfill postclosure care liability at June 30, 2003 represents the estimated total current cost of landfill closure and postclosure care, based on the use of 100 percent of the estimated capacity for the landfill. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The county is not required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care due to the closing of the landfill prior to the October 9, 1993, MSWLF postclosure requirements date. The county expects to pay postclosure care cost, including additional postclosure care cost (due to inflation, changes in technology or applicable laws or regulations, for example), from the General Fund with charges to users of the county's solid waste transfer stations, General Fund tax revenue and/or General Fund reserves.

SUMMARY OF DEBT OUTSTANDING AND REPAYMENT REQUIREMENTS

Retirement Plan Obligations

As required by GASB Statement Number 27, a long-term liability was recorded for the VRS Pension Plan, the County Supplemental Retirement Plan and the School Board Supplemental Retirement Program for the difference between the Annual Required Contribution and the amount actually contributed. The governmental activities of the primary government recorded $2,856,518 and $250,855 for the VRS Pension Plan and the County Supplemental Retirement Plan, respectively, and the business-type activities of the primary government recorded $264,474 and $23,744 for the VRS Pension Plan and the County Supplemental Retirement Plan, respectively. The School Board component unit recorded a liability of $829,221 and a prepaid asset of $3,414,510 for the VRS Pension Plan and the Supplemental Retirement Program, respectively. Payments for these liabilities are recorded as a charge to the fund that incurred the liability.

Defeased Debt

On January 22, 2003, the county issued $32.450 million in General Obligation Public Improvement Refunding Bonds with an average interest rate of 2.95% to advance refund $31.635 million of outstanding 1993 Series bonds with an average interest rate of 5.17%. The net proceeds of $32.882 million (after deducting payment of $0.247 million in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on selected maturities of the 1993 Series Bonds. These bonds were redeemed by the escrow agent on March 1, 2003. As a result, $31.635 million of the 1993 Series bonds are considered to be defeased.

The advance refunding resulted in the recognition of an accounting loss of $1.247 million for the year ended June 30, 2003, however the county in effect reduced its aggregate debt service payments by $2.728 million over the next 8 years and obtained an economic gain (the difference between the present values of the old and new debt service payments) of $2.551 million.

In prior years, the county defeased certain general obligation and revenue bonds by placing funds in irrevocable escrow accounts to provide for future debt service payments on the defeased debt. Accordingly, the escrow account assets and the liability for the defeased debt are not included in the county's financial statements. At June 30, 2003, the outstanding balance of the defeased debt was $5.975 million, of which $0.855 million was water and sewer revenue bonds and $5.120 million was general obligation bonds.